

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **May 14, 2002**

AGENDA ITEM NO.: **1**

CONSENT:

REGULAR: **X**

CLOSED SESSION:

ACTION: **X**

INFORMATION:

(Confidential)

ITEM TITLE: Central Virginia Community Services Board (CVCSB) Request for Reauthorization of Resolution Adopted by the Lynchburg City Council on January 12, 1999

RECOMMENDATION:

Adopt a Resolution approving Central Virginia Community Services Board request for reauthorization of a previously adopted Resolution regarding a \$1,800,000 loan to purchase two office buildings.

SUMMARY:

Central Virginia Community Services Board obtained a loan from One Valley Bank-Central Virginia in the amount of \$1,800,000 to purchase two office buildings on the terms set forth in a November 18, 1998, commitment letter. One term or condition of the commitment letter was that CVCSB give a first deed of trust lien on the two office buildings being purchased, plus a lien on the Arise Residential Treatment Center property owned by CVCSB located on Route 221 in Forest, Virginia. Pursuant to the relocation of the Arise Residential Center programs to the Courtland Building in Lynchburg, the Arise Residential Center property has been sold and is no longer available as collateral to secure the \$1,800,000 credit line loan. CVCSB desires to amend the terms of the existing \$1,800,000 credit line loan giving as substitute collateral for the Arise Residential Center Property certain property owned by CVCSB located at 2420 Woodrow Street, Lynchburg, Virginia, being the location of "Hudson House".

PRIOR ACTION(S):

January 12, 1999: City Council Adopted Resolution #R-99-011

FISCAL IMPACT:

None

CONTACT(S):

Augustine J. Fagan, Executive Director 847-8050

ATTACHMENT(S):

- Resolution
- April 25, 2002 Letter from CVCSB
- January 12, 1999 Council Report

REVIEWED BY:

RESOLUTION

WHEREAS, Central Virginia Community Services Board is a governmental entity created pursuant to the provisions of Chapter 10 of Title 37.1 of the Code of Virginia (Section 37.1-194 et seq.), pursuant to a joint agreement between the Counties of Amherst, Appomattox, Bedford and Campbell, and the Cities of Bedford and Lynchburg, in order to provide those jurisdictions with mental health, mental retardation, and substance abuse services; and

WHEREAS, Section 37.1-197(11) allows Chapter 10 Boards such as Central Virginia Community Services Board to obtain loans as authorized by the governing bodies of the political subdivisions that established it; and

WHEREAS, the Board of Directors of Central Virginia Community Services Board found it in the best interest of Central Virginia Community Services Board to purchase two office buildings, one located at 2241 Langhorne Road, Lynchburg, Virginia, and the other at 2235 Landover Place, Lynchburg, Virginia; and

WHEREAS, in order to purchase both properties, Central Virginia Community Services Board obtained a loan from One Valley Bank-Central Virginia in the amount of \$1,800,000 on the terms set forth in the November 18, 1998, commitment letter; and

WHEREAS, prior to obtaining the \$1,800,000 credit line loan from One Valley Bank-Central Virginia pursuant to the provisions of Section 37.1-197(11) of the Code of Virginia, 1950, as amended, Central Virginia Community Services Board petitioned the Boards of Supervisors of the Counties of Amherst, Appomattox, Bedford and Campbell, and the Cities of Lynchburg and Bedford, and in December, 1998 and January, 1999 did obtain each governing bodies authorization to borrow the \$1,800,000 to purchase properties on the terms of the November 18, 1998, commitment letter; and

WHEREAS, one term or condition of the November 18, 1998 commitment letter was that Central Virginia Community Services Board would give a first deed of trust lien on the two office building parcels being purchased, plus a lien on the Arise Residential Treatment Center property owned by Central Virginia Community Services Board located on Route 221 in Forest, Virginia (the "Arise Residential Center Property"); and

WHEREAS, pursuant to the relocation of the Arise Residential Center programs to the Courtland Building in Lynchburg, Virginia, the Arise Residential Center Property has been sold by Central Virginia Community Services Board and is no longer available as collateral to secure the \$1,800,000 credit line loan; and

WHEREAS, Branch Banking and Trust Company of Virginia, the successor by merger to One Valley Bank-Central Virginia, N.A., and Central Virginia Community Services Board desire to amend the terms of the existing \$1,800,000 credit line loan by Central Virginia Community Services Board giving as substitute collateral for the Arise Residential Center Property certain property owned by Central Virginia Community Services Board located at 2420 Woodrow Street, Lynchburg, Virginia, being the location of "Hudson House" (hereinafter "Hudson House Property");

WHEREAS, Central Virginia Community Services Board has petitioned the City Council of Lynchburg to obtain re-approval of the existing \$1,800,000 loan on the same terms, except for the substitution of the lien on the Hudson House Property for the lien on the Arise Residential Center Property.

THEREFORE, BE IT RESOLVED that Central Virginia Community Services Board is hereby re-authorized by the City Council of Lynchburg to continue to borrow up to \$1,800,000 in loans from Branch Banking and Trust Company of Virginia on the same terms of the November 18, 1998 commitment letter, except that Central Virginia Community Services Board shall grant to Branch Banking and Trust Company of Virginia a credit line deed of trust lien on the Hudson House Property in lieu of a lien on the Arise Residential Center Property.

Adopted:

Certified:

Clerk of Council

096L



2241 LANGHORNE ROAD* LYNCHBURG, VA24501
434-847-8050 . TDD #434-847-8062 • FAX #434-847-6099

April 25, 2002

L. Kimball Payne, III, City Manager
City of Lynchburg
P.O. Box 60
Lynchburg, VA 24505

Dear Mr. Payne:

Based on action taken at the Central Virginia Community Services' Board of Directors meeting on April 24, 2002, I am writing to request that the Lynchburg City Council approve the enclosed resolution.

The resolution enclosed reauthorizes a previous resolution approved by City Council to borrow \$1,800,000 to purchase two buildings. We used the two buildings as collateral for that purchase along with a building already owned by our agency, Arise Residential Center in Forest. Since the Arise building was recently sold in anticipation of the move of those services into the Courtland Center, we are required by the bank, BB&T, to use another building, Hudson House, located at 2420 Woodrow Street in Lynchburg, as substitute collateral. Since that building is not appraised as high as was the Arise Residential Center, we will also use \$23 1,000 of proceeds from the sale of Arise to pay down the current balance of the \$1,800,000 credit line loan which now stands at \$1,710,849.

Our attorney asked that we request this reauthorization of the original resolution since the change in collateral substantially changes our original request.

Thank you for your consideration of this request. Please contact me if you have any questions.

Sincerely,


Augustine J. Fagan
Executive Director

C: Stewart Hobbs, Board Member

RECEIVED
APR 26 2002
COUNCIL/MANAGER
OFFICES

One Valley Bank
2120 Langhorne Road, P.O. Box 340
Lynchburg, VA 24505
(804) 847-3800
FAX (804) 847-3818

**ONE VALLEY
BANK**

November 18, 1998

Mr. L. Wayne Trent
Mr. Timothy Campbell
Central Virginia Community Services Board
2241 Langhorne Road
Lynchburg, VA 24504

Dear Wayne and Tim.

I am pleased to advise you that One Valley Bank has approved a term loan for the Central Virginia Community Services Board. This loan will be subject to the following terms and conditions:

Borrower:	Central Virginia Community Services Board
Amount:	\$1,800,000
Purpose:	The proceeds of the loan will be used to finance the purchase of 2241 Langhorne Road and 2235 Landover Place in Lynchburg, VA.
Collateral:	The loan will be secured by a first lien deed of trust on the properties being purchased as well as the Arise Center in Forest, VA. Title insurance will be required as well as appraisals acceptable to the bank. Depending on the appraised value of the real estate the bank may require additional collateral, including equipment owned by CVCSB.
Interest rate:	Would be 7.125% for the first fifteen years. adjusting to 1.95% over the five year treasury on the fifteenth and twentieth year anniversary dates.

Term: Up to 25 years.

Origination Fee: None required.

Prepayment: No penalty will be required on prepayment of the loan.

Other: This pricing assumes a full deposit relationship with the Community Services Board;

Acceptance: To accept this commitment please sign where indicated below and return a copy of this letter to me by December 18, 1998, at which time this commitment will expire if not accepted.

We hope you find the terms and conditions of this letter to be acceptable and thank you for your interest in One Valley Bank. Please give me a call at 847-3865 if you have any questions concerning this commitment.

Sincerely,



Christopher S. Chamberlin
Senior Vice President
Commercial Banking

ACCEPTED AS OUTLINED ABOVE:

Central Virginia Community Services Board

By;

Date:

Title:



CENTRAL VIRGINIA MENTAL HEALTH

2241 LANGHORNE ROAD. LYNCHBURG, VA 24501
804-847-8050 . TDD #804-847-8062 . FAX #804-847-6099

November 25, 1998

Charles F. Church, City Manager
City of Lynchburg
P.O. Box 60
Lynchburg, VA 24505

Council Meeting of
January 12, 1999

Agenda Item: 19

Dear Mr. Church:

The Board of Directors of Central Virginia Community Services has asked me to contact each of our governmental jurisdictions for two purposes:

- 1) to seek approval, in accordance with Section 37.1-197(11) of the *Code of Virginia*, to obtain a loan to purchase two separate properties currently leased by Central Virginia Community Services;
- 2) to alert you to a future loan request to respond to our current need for additional space.

The properties we wish to purchase are located at 2241 **Langhorne** Road, **Lynchburg**, and 2235 **Landover** Place, Lynchburg. Both properties are currently leased by Central Virginia Community Services. Leases on both properties expire December 31, 1998.

The 2241 **Langhorne** Road site contains 9,000 square feet of office space and has been leased by Central Virginia Community Services since October 1991. The building houses our administration offices and prevention services. The sale price is four hundred and ninety thousand dollars (\$490,000.00), of which ninety thousand dollars (\$90,000.00) will be gifted to Central Virginia Community Services by its owner, Mr. Frank G. Davidson, III. Our Board of Directors took action to accept this purchase price and gift at their September 23, 1998 meeting, conditioned upon the approval of our governmental jurisdictions to allow Central Virginia Community Services to borrow the funds needed to complete the purchase.

The **Landover** Place building contains 20,000 square feet and provides space for services and programs for people with mental illness, mental retardation, and substance abuse as well as infants with developmental delays. The building was originally constructed for our purposes by Mr. Lawrence **Roffman** of Richmond, Virginia. We have continuously leased the building from Mr. **Roffman** since January 1986. The purchase price for this building is one million three hundred thousand dollars (\$1,300,000.00). Our Board of Directors took action to accept this purchase price at their September 23, 1998 meeting, also conditioned upon the approval of our governmental jurisdictions to allow us to borrow the funds needed.

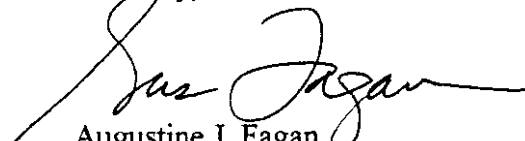
The major reason for purchasing the buildings at this time is the savings we can realize due to favorable **financing** rates. We have a loan commitment from a local bank to borrow one million eight hundred thousand dollars (\$1,800,000.00) for up to twenty-five (25) years at an initial interest rate of 7.125%. This rate will be effective for **fifteen** (15) years and will be readjusted at that time to 1.95% over the five-year treasury on the fifteenth and twentieth year **anniversary** dates. Purchasing these buildings under the terms specified will result in savings over our lease costs of sixty-two thousand four hundred and thirty-six dollars (\$62,436.00) per year.

In addition, due to our current need for more space, our Board of Directors has also asked me to alert you to a **future** request to borrow up to one million dollars (\$1,000,000.00) to provide for additional space needs of Central Virginia Community Services. We will finance this additional amount with the savings in lease costs **realized** from the purchase of the two buildings. We will not pursue borrowing this money until we have bids for plans and specifications for the additional space. We will again ask approval from each jurisdiction to borrow the **funds** necessary to accomplish the expansion. Our space needs have not been met due to costs associated with additional space. Savings from the purchase of the two buildings will allow us to make firm plans to address these space needs.

I am enclosing a sample resolution developed by our attorney that you may wish to use. We would appreciate your taking action in time to **allow** us to complete negotiations on our purchases by December 31, 1998. Please contact me if you would like further information about these projects.

Thank you for your support as we work to provide needed services to our community

Sincerely,



Augustine J. Fagan
Executive Director

Enclosure

cc: Leon J. Parrish, Board Chairman Amherst County Member
Lucille H. Boggess, Bedford County Board Member
Russell Moore, Treasurer and Appomattox County Board Member
J.D. Puckett, Campbell County Board Member
D. L. Warren, Lynchburg City Board Member

RESOLUTION

WHEREAS, Central Virginia Community Services Board is a governmental entity created pursuant to the provisions of Chapter 10 of Title 37.1 of the Code of Virginia (Section 37.1-194 et seq.), pursuant to a joint agreement between the Counties of Amherst, Appomattox, Bedford, and Campbell, and the Cities of Bedford and Lynchburg, in order to provide those jurisdictions with mental health, mental retardation, and substance abuse services;

WHEREAS, Section 37.1-197(11) allows Chapter 10 Boards such as Central Virginia Community Services Board to obtain loans as authorized by the governing bodies of the political subdivisions that established it;

WHEREAS, the Board of Directors of Central Virginia Community Services Board has found it in the best interest of Central Virginia Community Services Board to purchase two office buildings, one located at 2241 Langhorne Road, Lynchburg, Virginia, and the other at 2235 Landover Place, Lynchburg, Virginia, both of which they are now renting;

WHEREAS, in order to purchase both properties, Central Virginia Community Services Board needs to obtain a loan in the amount of \$1,800,000, on the terms set forth in a November 18, 1998, commitment letter; and

WHEREAS, Central Virginia Community Services Board has petitioned the Lynchburg City Council to obtain the approval required by Section 37.1-197(11) in order to obtain such loan.

NOW, THEREFORE, BE IT RESOLVED that Central Virginia Community Services Board is hereby authorized by the Lynchburg City Council to apply for and accept a \$1,800,000 loan from One Valley Bank on the terms set forth in the November 18, 1998 commitment letter;

Adopted: January 12, 1999

Certified: 
Clerk of Council

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CC:  Fagan